



85.22

Deposit Adjustments and Returned Checks

85.22.10

May 1, 1999

About these procedures

These procedures cover items returned or adjustments made by the bank for the following reasons:

- Non sufficient funds (NSF) checks
- Missing signature(s) on check
- Stop payment placed on check
- Account closed
- Deposit adjustment found during bank's proof process
- Other reasons causing return of checks or adjustments to the state's bank accounts

85.22.20

May 1, 1999

Documentation for deposit adjustments

An agency is to maintain adequate detail records to document a bank deposit adjustment. For deposit adjustments resulting in an amount due the state (e.g., NSF checks) document the following information in subsidiary records:

- Name of maker and amount.
- Date of check and bank upon which it was drawn.
- The date of the **initial** deposit of the check subsequently returned and the Revenue Source and Sub-Source (if applicable) codes or other account coding to which the check was **initially** credited **or** the number identifying the Cash Receipt Journal Summary (A8-A) reflecting the initial deposit.

For Treasury and Treasury Trust accounts, the number identifying the Cash Receipt Journal Summary (A8-A) showing Office of the State Treasurer's (OST) adjustment to cash in the bank to reflect the item returned or adjustment by the bank.

- The date and coding of the subsequent redeposit of the returned item, if such subsequent collection is actually realized **or** the number identifying the Cash Receipt Journal Summary (A8-A) reflecting the subsequent redeposit.

Refer to further Subsection 85.54.52 for collection information related to NSF checks.

85.22.30

July 1, 2003

Deposit adjustments - treasury and trust accounts

For **Treasury and Treasury Trust accounts**, when notified by the bank that an adjustment has been posted to the state's bank account, OST will prepare a Cash Receipt Journal Summary (A8-A), in the name of the agency that **initially** deposited the returned item. OST will record the A8-A in Account 01P, "Suspense Account," adjusting GL Codes 4310 "Current Treasury Cash Activity (OST Only)" and 7110 "Receipts In-Process." OST will send the agency a copy of the A8-A along with the NSF check, deposited item returned, or Deposit Adjustment Notice. The deposit adjustment A8-A current document number will start with "ADJ."

If the returned item has not already been re-deposited, the agency is to redeposit it as soon as possible to Account 01P. If the item clears the bank, no further accounting action is required. If the item has been returned two times, then the agency is to proceed as follows:

1. The agency is to record the deposit adjustment or returned check.

Using the Cash Receipts Journal Summary (A8-A) prepared by OST, clear receipts in process in Account 01P and establish a receivable for the amount of the returned item. (Refer to Subsection 85.24.50 for an illustrative entry.)

Clear the receivable in Account 01P either by re-depositing the returned item or by a journal entry adjusting the GL Code where the amount was originally recorded in the agency's operating or trust account. This is normally revenue, but may be expenditure recovery or receivable liquidation. If a revenue, use either Revenue Source Code 0940 "Deposit Adjustments and Returned Checks" or the Revenue Source Code used on the initial deposit. OST will clear Account 01P either upon redeposit of the returned item or the journal entry reflecting the adjustment. (Refer to Subsection 85.24.50 for an illustrative entry.)

At Fiscal Year End, reclassify any residual balance in Revenue Source Code 0940 to the appropriate asset, liability, revenue, or expenditure/expense GL code.

2. Deposit subsequent collection of amounts for which a journal entry adjustment was posted with a Cash Receipt Journal Summary (A8-A). Subsequent redeposit of amounts for which a deposit adjustment has been recorded as in step 1(b) above should use coding consistent with the adjusting entry. (Refer to Subsection 85.24.60 for an illustrative entry.)

85.22.40

July 1, 2003

Deposit adjustments - local accounts

For **Local accounts**, redeposit returned items as soon as possible. Items returned a second time and other bank deposit adjustments are posted to accounting records by debiting/crediting GL Codes 1110 "Cash in Bank." A receivable is to be established for deposit adjustments resulting in amounts due the state (e.g., NSF checks.)

For other types of adjustments, the cash entry is offset by debiting/crediting GL Codes 3210 "Cash Revenues" for revenues, 6510 "Cash Expenditures/Expenses" for expenditure recoveries, or other coding as appropriate. For revenues, use either Revenue Source Code 0940 or the revenue source code used on the initial deposit. Subsequent redeposit of amounts for which a deposit adjustment was recorded should be coded in a manner consistent with the write-off.